

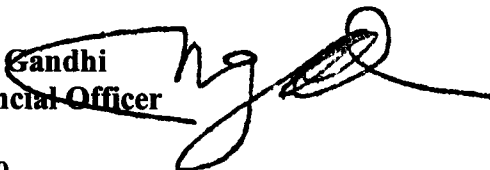
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: July 1, 2010

SUBJECT: Fiscal Impact Statement – “2323 Pennsylvania Avenue Southeast
Redevelopment Project Real Property Limited Tax Abatement
Assistance Act of 2010”

REFERENCE: Bill Number 18-628, Revised Draft Shared with the OCFO on
June 21, 2010

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. Implementation of the proposed legislation is estimated to reduce real property tax collections by \$87,505 in FY 2011 and \$370,515 over the budget and financial plan period.

Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Chapter 46 of Title 47 of the D.C. Official Code to abate for 10 years real property taxes imposed on Lot 55, Square 5560¹, and any improvements thereto, in any amount in excess of the amount of the real property taxes imposed on the property for tax year 2009.² As a result, the only property taxes that would be paid on this property for each of the next ten years would be the amount of property taxes imposed in 2009.

¹ This is a residential property located at 2323 Pennsylvania Avenue SE and currently owned by 2300 Pennsylvania Avenue LLC Chapman Development.

² At that time, the assessed value of \$945,000 was equal only to the value of the land.

This property is a mixed-use project that includes The Grays—118 rental units that are targeted to individuals and households earning 60 percent of the Area Median Income³—and a Yes! Organic grocery store. The Grays opened in June⁴ and the Yes! Organic is expected to open in August. Both of these projects have already received subsidies from the District during the construction phase.⁵

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. Implementation of the proposed legislation is estimated to reduce real property tax collections by \$87,505 in FY 2011 and \$370,515 over the budget and financial plan period. This estimate excludes any real property taxes for Yes! Organic, as they would be exempt from these taxes for the next 10 years under the Supermarket Tax Exemption Act of 2000.⁶

Estimated Negative Fiscal Impact* FY 2011 – FY 2014					
	FY 2011	FY 2012	FY 2013	FY 2014	Four Year Total
Property Tax (Excludes Yes! Organic)	\$95,537	\$99,359	\$102,340	\$105,410	\$402,645
Property Tax for 2009 (Amount to be paid)	\$8,033	\$8,033	\$8,033	\$8,033	\$32,130
Total Value of Abatement	\$87,505	\$91,326	\$94,307	\$97,377	\$370,515

* FY 2011 assessed value provided by the Office of Tax and Revenue; the assessed values for FY 2012 through FY 2014 are based on projections for property tax values.

Additionally, the proposed legislation would continue to have a fiscal impact beyond the

³ The monthly rent for each of the 110 one bedroom apartments is \$1,155 and \$1,386 for the 8 two bedroom apartments.

⁴ So far approximately 40 percent of the units have been leased.

⁵ The District provided \$7.5 million from the Housing Production Trust Fund, \$1.9 million in Low Income Housing Tax Credits, and a \$900,000 Great Streets grant for Yes! Organic. Also the Yes! Organic is taking advantage of provisions of the Supermarket Tax Exemption Act of 2000, which provide: 1) a 10-year real property tax exemption; 2) a 10-year exemption from business license fees; 3) a 10-year personal property tax exemption; and 4) a sales and use tax exemption on the purchase of all building materials (See § 47-3802). (See <http://www.dc.gov/mayor/news/release.asp?id=1906&mon=201005>).

⁶ The property tax exemption would apply to the total area of the retail space and the 25 parking spaces of Yes! Organic. This amounts to approximately 10 percent of the total square footage of the property. Also see previous footnote.

financial plan period since the real property tax exemption would apply for a total of 10 years. Between FY 2015 and FY 2020, the proposed legislation is estimated to reduce property tax collections by an additional \$630,041, bringing the total reduction in revenues to \$1,000,556.

Estimated Negative Fiscal Impact FY 2015 – FY 2020	
Year	Value of Abatement
FY 2015	\$99,485
FY 2016	\$101,636
FY 2017	\$103,829
FY 2018	\$106,066
FY 2019	\$108,348
FY 2020	\$110,676
Total	\$630,041